

Maine Revenue  
Service  
**Audit Division**

# Who We Are

The Audit Division is headquartered in Portland, Maine and is comprised of a Director, Assistant Director, and two District Tax Audit Managers who supervise 9 audit teams headed by Principal Revenue Agents and Tax Analysts. In addition there are two teams managed by Tax Analysts responsible for reviewing Estate Tax and investigating Corporate Income Tax Nexus.

# Who We Are

The division is charged with reviewing compliance with Maine State Tax statutes in the areas of Sales/Use, Fuel and Special Taxes as well as Corporate and Individual Income Tax including pass-through entities, Estate Tax, and Franchise Tax.

Staff is located geographically around the state.

# Our Mission

The mission of the audit staff is to assist the Bureau of Maine Revenue Services in the administration of State tax laws by conducting compliance audits and providing education and customer service to taxpayers to improve current and long-term compliance with Maine tax law.

# Accomplishing our Mission

- Title 36 Chapter 7 Section 141

When a return is filed, the assessor shall cause it to be examined and may conduct audits or investigations to determine the correct tax liability. If the assessor determines that the amount of tax shown on the return is less than the correct amount, the assessor shall assess the tax due the State.

- Title 36 Chapter 7 Section 112

- Subsection 4.

Examination of records and premises. Whenever necessary to the administration of this Title, the assessor may make, or cause to be made by an employee, an examination or investigation of the place of business, books and other documents and any other relevant personal property of any person who the assessor has reason to believe is liable for any tax imposed by this Title.

You have been chosen...now what?



# What to Expect

- You will receive an Audit Notification letter
- The Agent will follow up with a phone call and discuss the following:
  - A meeting time and place
  - Taxpayer representation – POA
  - Records to be made available
  - Location and format of records
  - Questions you may have



# Frequently Asked Questions



# Why me?

- Is it because.....



# Audit Candidate Selection

- Database queries
- Business activity reports submitted by staff
- Past audit history information
- Potential focus groups or industries
- Leads from outside sources
- Leads from auditors
- Administrative suggestions

# Do we have to start today?

## Statute of limitations

- 3 years
- 6 years
- may be waived by agreement



# What records do you want to look at?

- Agents may examine any books, records or other property that they believe will be helpful in determining your tax liability

# Sales and Use Tax Audits

- Sales and Income Tax Returns
- Original Invoices for Purchases and Sales
- Fixed Assets and Depreciation Schedules
- Lease Agreements
- Exempt Sale Documentation
- Electronic and Paper Records

# Income Tax Audits

- Federal income tax returns
  - Any partnership interest returns
- Other filed return
- State by State workpapers
- Credit claim worksheets

# Estate Tax Reviews

- Most recent state and federal income tax returns (Form 1040)
- Gift Tax Returns (Form 709)
- Appraisals
- Will
- Trusts
- Life Insurance Statement (Form 712)



# What if records are missing?

- Test periods
- Contact 3rd party
- Data modeling



# What is my role?

- Gather information
- Liaison with other departments
- Provide a tour of the facility
- Answer questions
- Provide space for agent(s)
- Review work papers
- Provide additional documentation



# What should I expect from the agent

- Review audit procedures
- A general understanding of your business
- Ask questions and identify any concerns promptly
- Answer questions and provide information regarding tax laws
- Maintain confidentiality
- Complete the audit in a reasonable period of time
- Discuss the preliminary audit results
- Review your rights to appeal

## What should I expect from the agent cont.

- At the conclusion of an audit, the assessor or an agent shall conduct an audit conference with the taxpayer and shall give the taxpayer a written summary of the audit findings, including the legal basis for the audit findings and adjustments, along with copies of relevant bureau audit workpapers.
- Audit Acknowledgement form

# Audit Process

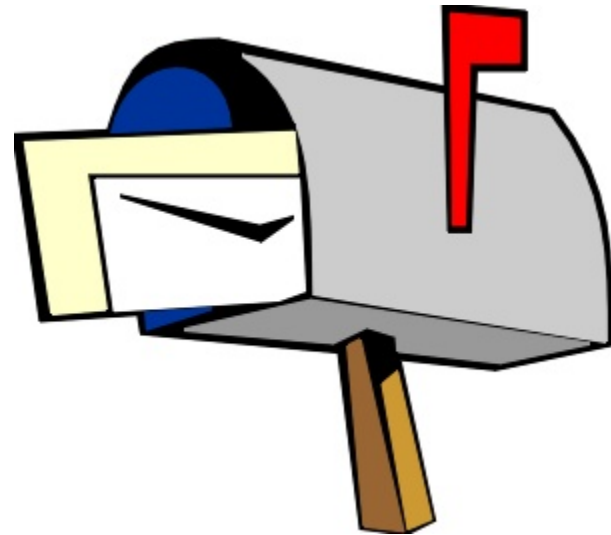
- Pre-audit interview
  - Audit approach determined
  - Tentative schedule for providing records
  - Record format (electronic or paper, file formats etc.)
- Records review
  - Sales data
  - Purchase data
  - Exemption documentation
- Preliminary schedules provided with a list of additional documentation requirements

# Audit Process cont.

- Taxpayer schedule review
  - Gather additional supporting evidence
- Preliminary results reviewed
  - Agent review of additional documentation and schedules updated appropriately
- Internal audit review by DTAM
- Final audit discussion
  - Audit finding report and final schedules provided
  - Audit discussion acknowledgement form

# What's Next

- Formal assessment will be sent via certified mail



# What are my options





# If you agree with the audit finding

- Pay the assessment within 60 days
- Request a payment plan



# What if I don't agree

- You have 60 days from when you receive the assessment to petition for reconsideration
  - Must be in writing
  - Postmarked or delivered within 60 days of receipt of assessment
  - Clearly state the reason for your request and if you would like a conference

# Who Decides My Case?

- The Division Director will review your petition and any additional evidence provided
- You will receive written notice of the Division Decision within 90 days
- Interest continues to accrue

Questions

